

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## **Iran Sets Pace for Middle East Economic Development**

The arrival in Washington on November 16 of Mohammed Reza Pahlevi, the young Shah of Iran, on an extensive tour of the United States, focused American attention on the problems of that key country of the Middle East. Iran, the world's fourth largest producer of oil, is regarded here as an important strategic bulwark against the U.S.S.R. It has already been included in the Military Assistance Program, under which it shares a \$27,640,000 allotment with Korea and the Philippines. The Shah, however, has indicated that his country needs additional military and economic assistance if it is to maintain its security. Meanwhile, he has undertaken to strengthen Iran's internal economy through a seven-year development plan.

### **Building from Bottom Up**

This long-heralded plan, enacted earlier in the year as the Economic Development Law, receives substantial endorsement and some practical modifications in the recently completed report submitted to the Plan Organization of the Iranian government by Overseas Consultants, Inc. (OCI). This group of eleven American engineering and industrial firms, associated in Iran with Britain's Alexander Gibb & Co., has recently made public its assessment of the practical possibilities of the plan after a year of surveying Iran's economy. Its findings fill some 1,250 pages of analysis, recommendations and estimates which, for scale and content, seem likely to make history.

The Overseas Consultants' planners believe that Iran can accomplish the ob-

jectives of the plan—to raise the living standard of its people and build a modern state. But they stress that social measures must precede the ambitious program of industrialization envisioned by Iran's planners. They recognize Iran's almost unique assets: adequate foreign exchange; enlightened leadership by the young Shah and his advisers; bountiful natural resources. But they emphasize that its greatest asset—a highly intelligent people—will not be able to meet the requirements of the plan unless the people are better fed, housed and trained in modern skills. The OCI bases this admonition on straight pragmatic grounds. In the words of the report: "The effort itself, of course, must come first from the top, which is the source of guidance and means. It must be applied first, however, close enough to the social and economic foundations of the nation to stimulate a healthy growth at the lowest level."

It follows from this conclusion that education, hygiene and improved agricultural methods are given highest priorities by the OCI at the expense of more spectacular industrial undertakings. Thus the report urges the postponement of a proposed steel mill near Tehran, of full-scale drilling for oil by the Iranian Oil Company created under the Development Law and of similar expensive installations for which trained labor does not yet exist.

The OCI's gradual approach to industrialization takes into account the fact that of Iran's estimated population of 15,000,000, some 12,000,000 live in rural areas in great poverty, with a high incidence of preventable diseases and illiteracy.

Their dependence on the land, chiefly as tenant farmers, has already caused the government to initiate some reforms, such as the law passed in 1946 which increased by 15 per cent the peasant farmers' share of the total crop. The OCI urges more basic improvements to assure adequate water supply and irrigation, the mobilization of existing medical resources to create an effective public health service, and improved agricultural techniques to restore and increase Iran's war-damaged food and cotton crops.

Encouraging evidence that the body set up by the Iranian government to administer the plan—the Plan Organization—accepts the OCI principle of building from the bottom is found in the initial authorizations in October for the expenditure of some \$50,000,000. Of this sum proportionate amounts go to an active anti-malarial campaign already under way, distribution of cotton seed, intensive mechanized cultivation of Azerbaijan's depleted wheat acreage and the building of two sugar refineries. If these relatively modest but important efforts succeed, the practical value of the OCI's recommendations will be demonstrated and a pattern of reconstruction will be set.

### **Internal Financing**

Iran's favorable financial position, enhanced by prospects of greatly increased royalties from the Anglo-Iranian Oil Company, assures funds to carry out most if not all of the plan. The Development Law authorizes the spending of some 2.1 billion rials (\$656 million). The OCI indicates that more than seven years and a

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larger amount of money will be required to transform Iran into a going concern. What is significant, however, is not the amount involved but the principle, written into law, which Venezuela was the first in the world and Iran the first in the Middle East to establish, that oil revenue should be devoted to capital investments.

A further innovation in the Middle East is the prospect of a healthily diversified economy dependent primarily on internal resources. To bring this about the OCI suggests several devices. The most radical of these for Iran is that industries which have proved uneconomic under state management be sold to private entrepreneurs—who so far are very few among wealthy Iranians. At the same

time the OCI endorses the provisions in the Development Law fostering farm and marketing cooperatives. Finally, for such vital necessities as water systems, the report advocates a permanent non-political Central Water Authority empowered to assist regional agencies. This flexibility of approach characterizes the entire report and foreshadows important changes in Middle East economy. It is clear from the report, however, that these changes cannot be effected without heroic measures of reform in such matters as tax collection, improvement in standards of public responsibility and enforcement of the many progressive laws enacted during the regime of the young Shah.

The OCI report dismisses defeatist

counsels. It insists that a sound economy and domestic stability are within Iran's reach and constitute its best defense, echoing here the beliefs of Iran's more far-sighted leaders who initiated the plan. If, as one well-informed observer has remarked, the secret of Iran's survival through centuries of exploitation and foreign pressure lies in the ability of its people to absorb and re-combine foreign ideas, the many facets of the seven-year plan now offer the country an opportunity to re-create a sound and distinctive society.

GEORGINA G. STEVENS

*(Mrs. Stevens was a political analyst in the Office of Strategic Services during the war and has since lived and traveled extensively in the Middle East.)*

## ***U.S. and U.K. Seek to Define 'Essentials of Peace'***

The vigorous debates in the United Nations General Assembly between the United States and British delegates, Warren R. Austin and Hector McNeill on one side, and Russian Foreign Minister Andrei Vishinsky on the other—enlivened by quotations and counter-quotations from fables by Krylov, Russia's nineteenth century Aesop—have not materially altered the positions taken by West and East in the UN. They have, however, served to clarify some fundamental issues which the community of nations faces in striving to establish a close-knit international organization that might offer security against future wars.

### ***Battle of Resolutions.***

These debates centered around two resolutions: one, introduced by the Russian delegation early in the Assembly's fourth session, denounced the United States and Britain for alleged war preparations and called on the Big Five to sign "a pact for the strengthening of peace"; the other, submitted by the two Western powers, proposed that all member nations rededicate themselves to the principles of the United Nations Charter, "the most solemn pact of peace in history." Mr. Austin, in presenting the Anglo-American resolution, entitled "Essentials of Peace," bluntly stated that it was, "of course, incompatible with the Soviet resolution which should be rejected." Mr. Austin declared that "there is no substitute for performance by members of their treaty obligations. Good citizenship in the world community requires faithful adherence, in deed as well as in words, to the 'Essentials of Peace.'

... If the Soviet Union is ready to perform these essentials, then a five-power pact is not needed. If it is not, then ... the pact is a hollow proposal." It was expected that the Soviet resolution would be rejected and the Anglo-American resolution would be accepted by overwhelming majorities.

The resolution presented by the United States and Britain on November 14 called on all members of the United Nations to refrain from threatening or using force contrary to the Charter, and from any threats or acts, direct or indirect, aimed at impairing the freedom, independence or integrity of any state, or at fomenting civil strife and subverting the will of the people in any state. It urged them to carry out in good faith all international agreements; to afford all United Nations bodies full cooperation and free access in the performance of the tasks assigned to them under the Charter; to promote, "in recognition of the paramount importance of preserving the dignity and worth of the human person, full freedom for the peaceful expression of political opposition, full opportunity for the exercise of religious freedom, and full respect for all the other fundamental rights expressed in the Universal Declaration of Human Rights"; to promote nationally and through international cooperation efforts to achieve and sustain higher standards of living for all peoples; to remove the barriers which deny to peoples the free exchange of information and ideas essential to international understanding and peace; and to participate fully in the work of the United Nations.

It also called on the five permanent members of the UN Security Council "to broaden progressively their cooperation and to exercise restraint in the use of the veto in order to make the Security Council a more effective instrument for maintaining peace." Finally, it urged all nations to settle international disputes by peaceful means and to cooperate in supporting UN efforts to resolve outstanding problems; to cooperate to attain the effective international regulation of conventional armaments; and to agree to "the exercise of national sovereignty jointly with other nations to the extent necessary to attain international control of atomic energy."

This list of the "essentials of peace" is an admirable summary of the duties assumed by all members of the United Nations when they signed the Charter. All Americans will applaud this indication that the United States intends to make the UN the real cornerstone of its foreign policy. Such an intention has not always been apparent in the four years of the UN's existence. Washington's frequent vacillations between wholehearted action through UN agencies and reversion to unilateral action on a national basis has tended to weaken the UN. This is all the more true because the United States, as the strongest industrial, and therefore potentially the strongest military, power in the world, is in a far better position than the U.S.S.R. to bolster the UN by unwavering support of the Charter.

### ***Modernized World Relations***

The Western powers deserve praise for

taking a clear-cut position against all threats, direct or indirect, aimed at impairing the freedom, independence or integrity of any state, and in favor of the promotion of human freedoms. On these two points the Soviet government has opened itself to criticism by many nations, most recently by Yugoslavia which, while remaining true to Marxism, accuses the Kremlin of using international communism as a weapon to bring other nations under its control. Moscow has also repeatedly stressed its belief in the need for political dictatorship during the period, whose end is not yet in sight, of "building socialism." Cynics might be tempted to point out that all great powers at one time or another resorted to threats, direct or indirect, and that some of them had little concern with human freedoms in underdeveloped areas under their rule. In this respect the U.S.S.R. can rightly be regarded as a retarded country, resorting to methods which were once thought to be compatible with accepted international practice. The Western powers, however, are acting on the encouraging assumption that such practices are now obsolete. It must be hoped that, under their guidance, the UN will be vigorous in enforcing these provisions not only with respect to the U.S.S.R., Eastern Europe, and Communist-ruled China, but also with respect to nations where totalitarianism draws its inspiration from sources other than Russia and communism.

It is also heartening that the United States and Britain should urge all members of the UN to achieve and sustain higher standards of living for all peoples. On this objective there appears to be no disagreement in principle between West and East, no matter how much disagreement there may be about methods. The dramatic exchanges in the Assembly have overshadowed the significance of the unanimous decision reached by that body on November 16 concerning the UN program for the development of non-industrialized areas—a program based on President Truman's Point Four and originally introduced in the UN by the United States but nevertheless accepted by the U.S.S.R. The fulfilment of this objective, however, may require far-reaching political, social and economic changes in the underdeveloped areas. It must be hoped that such changes will not alarm the Western powers or be attributed exclusively to Communist inspiration when in actuality they reflect the aspirations of peoples

newly emerging from primitive existence for at least the minimum material comforts offered by modern industrial civilization. Such material improvements, in turn, are now recognized by many technicians of all nations to be a prerequisite for the development and maintenance of human freedoms.

### ***The Veto Problem***

The plea of the Western powers for "restraint in the use of the veto" by the Big Five in the UN Security Council will be particularly applauded by the small nations which, as Philippine delegate Salvador López said in the Assembly's Political and Security Committee on November 17, do not want to accept the role of "kibitzers" passively watching the great powers decide the issue of war or peace. The veto, however, is a symptom of the tension between the great powers, not the cause of it. The U.S.S.R. has taken the view, both during the war and after, that the great powers, which in time of war are called upon to make the largest contributions, should also exercise paramount control over the administration of security measures designed to prevent war. This concept of rule by a concert of great powers—practiced during the eighteenth and nineteenth centuries in Europe and Asia—is reaffirmed in the Soviet resolution challenged by Mr. Austin. The United States and Britain, for their part, have urged the more modern idea that decisions in the international organization should be reached not only by the powerful few, but by a majority of the members of the United Nations. The catch in this is that the majority has hitherto been against the U.S.S.R. As long as the U.S.S.R. remains in the minority, it may be expected to cling to the veto, which it has invoked on twenty-three occasions out of a total of forty-one vetoes in order to bar the admission of new members which, it believed, would vote with the United States.

While Britain, France and China have on several occasions indicated that they would be ready to abandon the veto if the United States and the U.S.S.R. decided to do so, there is no indication that the American government is prepared to surrender the right to veto decisions of the Security Council which might require the use of this country's armed forces. It will be recalled that inclusion of the veto in the Charter was regarded by Senators Vandenberg and Connally, members of

the United States delegation to San Francisco, as an essential condition for the Charter's ratification by the Senate. The United States has criticized not the veto itself, which remains a prerogative of the Big Five—an atavistic remnant of the old-fashioned concept of the international community—but Russia's "overuse" of the veto.

On a number of occasions the suggestion has been made that, instead of the present practice of assigning one vote to each nation, irrespective of the size of its population, votes should be weighted in some way. Such suggestions have been criticized, yet it is interesting to note that in the Council of Europe members are assigned votes according to an arithmetical hierarchy, with Britain, France and Italy holding the largest number and Luxembourg the smallest. In current discussions about the exercise of "restraint" with respect to the veto, the voting procedure of the Council of Europe might be profitably studied.

### ***Sovereignty Remains Obstacle***

In essence, however, the principal stumbling-block to further progress by the international organization remains the tenacity of national sovereignty. For the time being national sovereignty continues to exercise a strong influence on all nations, small as well as great, and more than declarations of good intentions will be needed to exorcise it. The U.S.S.R. has repeatedly emphasized its insistence on the maintenance of national sovereignty and has opposed the Baruch plan for international control of atomic energy as a derogation to sovereignty, which the United States readily admits it to be.

The Soviet government can rightly be criticized for being behind the times—but perhaps not as far behind as it sometimes seems to Western nations. Only thirty years ago the United States refused to join the League of Nations because it wanted to remain untrammeled by international commitments. Only two weeks ago Britain and France, in the UN Trusteeship Council, refused to accept a proposal for UN inquiry into educational conditions in colonies, contending that this would constitute unwarranted infringement on their sovereign rights. As late as this session of the UN Assembly the Union of South Africa, a member of the British Commonwealth of Nations and, in spite of its rigid racial discrimina-

tions, considered to be a democratic nation, refused to submit a report to the UN on the former League mandate of Southwest Africa which it has decided to incorporate into its territory without the approval of the UN.

Russia's addiction to national sovereignty appears particularly serious to us all because of our desire to see effective control of atomic energy. It is only fair to recognize, however, that national sovereignty concepts linger on in areas outside the U.S.S.R. If real advances are to be made in the direction of strengthening the international organization, it will be essential for member nations to relinquish certain prerogatives of national sovereignty not only on atomic energy, which happens to be our special preoccupation at the present time, but also in other areas of relations between nations.

VERA MICHELES DEAN

### F.P.A. Bookshelf

*United States Relations with China*. Department of State Publication 3573. Washington, Government Printing Office, 1949.

The much discussed "White Paper" contributes invaluable background for the study of post-war American policy toward China. It contains an introductory historical sketch covering the last hundred years, a review of Kuomintang-Communist relations, a detailed account of post-war developments, a discussion of current military and economic problems, and an appendix which gives a large collection of documents including the long-withheld report of General Albert C. Wedemeyer.

*Yearbook of the United Nations, 1947-48*, Lake Success, United Nations, Department of Public Information, 1949. \$12.50

The second volume in this series records the activities of all the organs of the United Nations and its thirteen related specialized agencies for the year ending September 21, 1948. The 1,126 pages in this massive, double-columned compilation are crammed with useful digests of international developments, documents, full bibliographic citations, organizational charts, a who's who, and indexes of subjects and names.

*Ferment in the Far East, an Historical Interpretation*, by Mary A. Nourse. New York, Bobbs-Merrill, 1949, \$3.75

Confusion about the policy which the United States should follow in the Far East makes particularly timely the appearance of this historical sketch by the author of *The Four Hundred Million*. Her book throws light on the development of Chinese and Japanese civilization, the invasion of the East by the West and the forces which have brought about colonial movements for independence and revolution.

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### Branch and Affiliate Meetings

\*HARTFORD, November 28, *A Positive Foreign Policy for the U.S.*, A. A. Ribicoff

OKLAHOMA CITY, November 29, *Economic Policy of the U.S.*, Leroy Stinebower

\*CLEVELAND, November 30, *Communism in China*, Harold Isaacs

\*PITTSBURGH, November 30, *What Next in Asia?*, Stewart Alsop

MINNEAPOLIS, December 1, *British Economic Situation*, Paul Gore-Booth

POUGHKEEPSIE, December 2, *The United Nations Peace Effort*, Ralph Bunche

\*CLEVELAND, December 2 and 3, *India—Key to the Orient*, Her Excellency Vijaya Lakshmi Pandit

BUFFALO, December 3, *Can the U.S. Unite Western Europe?*, Blair Bolles

\*ELMIRA, December 6, *The Position of England in the International Scene*, Wilson H. Coates

\*NEW YORK, December 6, *Germany's Future*, Hans Simons

WORCESTER, December 7, *Report from the Far East*, Brooks Emeny, William Hung

\*OKLAHOMA CITY, December 8, *Reconstruction in the Orient*, Ann Guthrie

PHILADELPHIA, December 8, *Germany—Key to European Stability*, General Lucius B. Clay

PROVIDENCE, December 8, *The World Over*, Brooks Emeny

SHREVEPORT, December 8, *Inter-American Policy*, Willard Barber

ROCHESTER, December 10, *World Affairs Institute*, Louis Dolivet, The Honorable Warren R. Austin

\*Data taken from printed announcement.

*International Legislation, a Collection of the Texts of Multipartite International Instruments of General Interest*, edited by Manley O. Hudson, with the collaboration of Louis B. Sohn. Vol. VIII. Washington, Carnegie Endowment for International Peace, 1949. \$4.00

In an age of global anarchy the student of foreign affairs is likely to overlook the gradual accretion of international custom and conventions governing a wide range of world problems from the salvage of torpedoes or the nomenclature of causes of death to the regulation of telecommunications, copyright protection or hours of labor. Professor Hudson has rendered an important service to scholarship in this collection resumed after a long wartime interlude. The current volume, covering the period from 1938 to 1941, gives or lists the texts of 105 principal instruments and some 50 subsidiary ones.

### News in the Making

EUROPEAN CARTELS: As Western Germany receives greater freedom in economic affairs, occupation authorities are beginning to show concern over the revival of European cartels. A newly formed Committee for Economic Questions in Cologne, composed of business and industrial leaders, is regarded as the possible nucleus of a powerful manufacturers' association which may take part in price-fixing agreements.

CLAPP MISSION: The UN Economic Survey Mission for the Middle East in its interim report has recommended limited financial aid to establish a few "pilot plant" operations in Arab countries prior to any larger scale assistance. The mission is also urging work relief projects for the Arab refugees and the establishment of a small permanent commission in the Middle East to aid with regional development projects. Gordon R. Clapp, chairman of the mission, will meet on November 26 in Istanbul with George C. McGhee, Assistant Secretary of State, and with United States Middle East diplomats to discuss the findings of the mission.

AFRICAN DEVELOPMENT: Growing alarm over the threat of competition raised by British development of Africa's wheat, cattle, mineral and tropical resources may cause Latin American producers to bid more actively for United States investment capital than they were willing to do in the sellers' market of the early post-war period.

PANAMA POLICE: Deposition of President Daniel F. Chanis, Jr., by Colonel José Antonio Remón, chief of the Panamanian national police, on November 20 adds another Latin American country to the ranks of those dominated by the military. Former President Chanis ran into trouble when he attempted to enforce Supreme Court rulings lifting restrictions on bus-line operators and meat-packing companies which the police were interested in maintaining. It is expected that the "constitutional" transfer of the presidential office to Vice-President Roberto F. Chiari, Remón's cousin, will be recognized by other governments in the Americas.

# The Annual Meeting of the Foreign Policy Association, Incorporated,

will be held at 22 East 38th Street, New York 16, N. Y.

on Saturday, December 10, 1949, at 11:00 a.m.

WM. W. LANCASTER, Chairman of the Board

## NOMINEES FOR BOARD OF DIRECTORS

The candidates listed below have been nominated to serve on the Board of Directors of the Foreign Policy Association, Incorporated, as indicated, and have expressed their willingness to act if elected. The word "Re-election" appears after the names of the present members of the Board of Directors who have consented to run.

The nominees for Directors at Large were nominated by the Nominating Committee—the other nominees by their respective areas in accordance with Article VI of the By-Laws.

Only members of the Association who are citizens of the United States have voting privileges.

Nominating Committee: Mrs. Henry G. Leach, *Chairman*  
Mrs. Raymond L. Buell  
Edgar M. Church, Jr.  
John Ross Delafield  
Edward S. Morris  
Ralph I. Straus

Please note that proxies cannot be used unless returned signed by the member.

*Please cut along this line and sign and return the proxy to the office of the Foreign Policy Association, Incorporated, 22 East 38th Street, New York 16, N. Y.*

## PROXY

I authorize Thomas L. Power and Carolyn Martin or either of them or a substitute to vote in my behalf for the Directors of the Foreign Policy Association, Incorporated, named below, and upon any other matter that may come before the annual meeting on December 10, 1949.

### CLASS OF 1952

MISS ELEANOR CLARK Director at Large		WM. W. LANCASTER Director at Large	RE-ELECTION
BROOKS EMENY Director at Large	RE-ELECTION	RUSSELL K. LAROS Director at Large	
W. LEON GODSHALL Area Three Representative	RE-ELECTION	H. HARVEY PIKE Director at Large	RE-ELECTION
MRS. BAYARD JAMES Director at Large	RE-ELECTION	JAMES P. WARBURG Director at Large	

### CLASS OF 1951

CLYDE EAGLETON Director at Large		JAMES D. SHOUSE Director at Large	
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### CLASS OF 1950

H. NEIL MALLON Director at Large		JOHN C. PARSONS Area One Representative	
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If you desire to vote for any other nominee, please write in name and cross out name of person for whom you do not wish to vote.

(A brief "Who's Who" of the candidates for Directors is given on the back of this page.)

(Signed) .....  
Member

### Brief Who's Who of Candidates

MISS ELEANOR CLARK—Women's News Editor, *The New York Times*

CLYDE EAGLETON—Professor of International Law, New York University

BROOKS EMENY—President, Foreign Policy Association

W. LEON GODSHALL—Professor of International Relations, Lehigh University, Bethlehem, Pennsylvania

MRS. BAYARD JAMES—Member, Board of Directors, Foreign Policy Association since 1936; Director of the Association's Speakers Bureau, 1925-28

WM. W. LANCASTER—Lawyer, partner in firm of Sherman, Sterling and Wright, New York

RUSSELL K. LAROS—President, Laros Corporation, Bethlehem, Pennsylvania and New York

H. NEIL MALLON—President, Dresser Industries, Inc., Cleveland, Ohio  
(Filling unexpired term of James Grafton Rogers, who resigned)

JOHN C. PARSONS—Lawyer, partner in firm of Robinson, Robinson & Cole, Hartford, Connecticut  
(Filling unexpired term of Chandler Bullock, who resigned)

H. HARVEY PIKE—President and Director of H. H. Pike & Co., Inc., New York

JAMES D. SHOUSE—Chairman of Board, Crosley Broadcasting Corp., Cincinnati, Ohio  
(Filling unexpired term of Morris S. Rosenthal, who resigned)

JAMES P. WARBURG—Author and Economist, New York

### Present Members Board of Directors

Frederick Lewis Allen

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